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UNCLAS TEGUCIGALPA 002531

SIPDIS

STATE PASS OPIC FOR JRIVERA-MONTES AND DERB

E.O. 12958: N/A

TAGS: [EINV](#) [ECON](#) [HO](#)

SUBJECT: HONDURAS HOMES HOUSING PROJECT

REF: SECSTATE 225570

1. Reftel requests embassy comments and recommendations regarding the possibility of OPIC providing a \$9.8 million direct loan to Honduras Homes, to construct 1,450 low-cost houses. ZIP Buffalo is a maquila (light-assembly) operation active in Honduras. Incohnsa Group and the Arguello family are well and favorably known to the USAID mission in Honduras, and it is therefore Post,s opinion that they are creditworthy and reliable business partners.

2. The rapid growth of the light assembly and textiles industries in Honduras, and particularly in the Sula Valley between San Pedro Sula and Puerto Cortes, has led to localized labor shortages and consequently higher average wages and educational levels for workers. This growth continues to draw immigrants from other parts of Honduras to the Sula Valley, putting increasing pressure on social services and basic infrastructure, including low-cost housing. Addressing this issue is thus both a social and a business imperative, and would benefit both workers and employers. The GOH has a fully-elaborated strategy for poverty reduction, including support for low-cost housing purchases. Under the recent GOH agreement with the IMF, fiscal austerity is the rule, and resources are dear. However, in Post,s view, given low cost housing,s associated impact on poverty reduction and its direct support for continued growth in an economically vibrant sector, GOH support for low cost housing is likely to continue.

PIERCE

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